

Roofing Company¹

Tax Case Study

How a roofing company used **protax.ai** tax strategies to reduce their tax liability by \$32,127².

analysis.

2022

Tax Overpaid \$27,971

2023

Projected Tax Overpayment \$32,127

2024

Estimated Tax Overpayment \$34,343

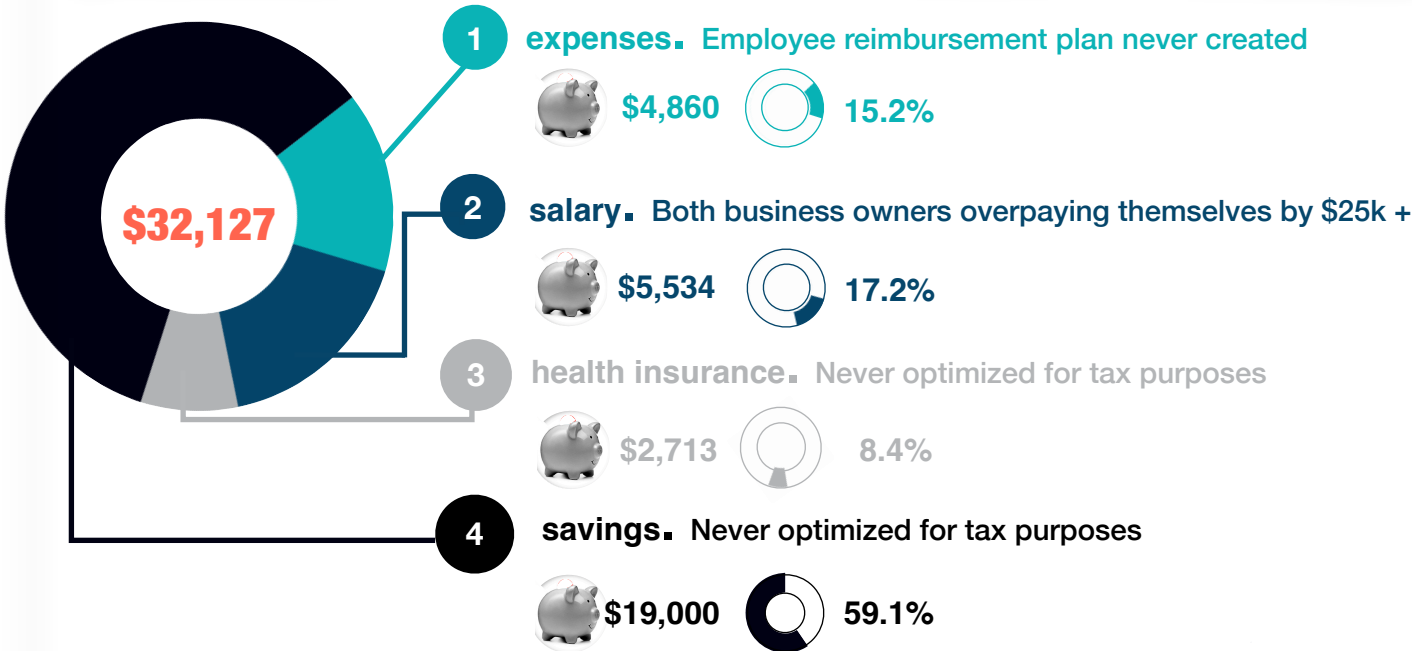
problems.



\$ of TAX overpayment



% of TAX overpayment



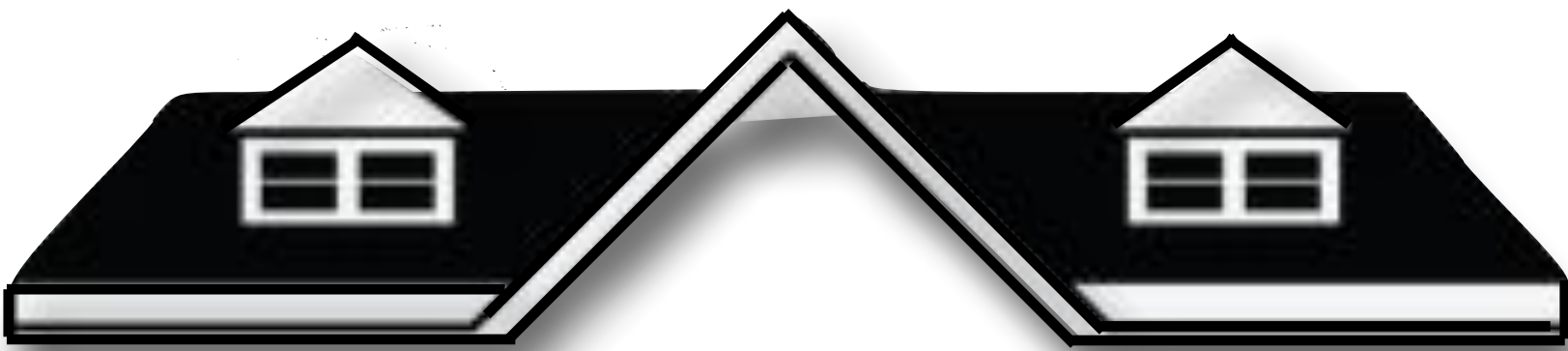
key metrics.

revenue	net income	tax due	tax strategies	new tax due
\$3.15m	\$388k	\$107k	-\$32,127	\$75k



1. Prosperity Tax Advisors, LLC has received written authorization from Jeff H. to publish their financials. However, at their request, we have redacted the name of their company.

2. **protax.ai** reduced Maurice & Shayna's federal tax liability by \$29,788, their state tax liability by \$2,339, reducing their total tax liability by \$32,127.



tax strategies.

results.

Internal Revenue Code sections and related regulations include IRC Sec. 62, Treas. Reg. 1.62-2; IRC Section 3306(b) and other resources such as IRS Publication 463: Travel, Gift and Car Expenses—Chapter 6		- \$4,860
Description	This strategy allows owner-employees to be reimbursed for expenses paid out of pocket. The expenses become deductions to the business, and the employee or owner-employee can be reimbursed, creating non-taxable cash flow to them.	
Requirements	This strategy must meet three rules; 1.)The expenses must have a business connection. 2.) Employees must adequately document the expenses and report them to the employer within a reasonable time. 3.) Employees must return any excess reimbursements to the employer within a reasonable time.	
I.R.C. §531-§537 (Accumulated earnings tax); Rev. Rule. 74-44 (S corporation shareholder-employees’ dividends re-characterized as wages subject to payroll taxes where shareholder-employees performed services but took no salary)		- \$5,534
Description	This strategy involves the process of reviewing your total “compensation” needs and determining whether changing business entities would help better distribute the compensation across various types of income. Certain entity types will have owner or shareholder compensation requirements that are dictated by the facts and circumstances of the business and what the taxpayer’s personal income needs are currently.	
Requirements	Generally, no compensation amounts are required with a Schedule C or partnership . If the partnership makes (or would make if elected) guaranteed payments to the partner for services to the partnership, those payment amounts should be included. An S corporation is required to pay an owner-employee reasonable compensation in the form of W-2 wages, and the salary amount will be needed for current S corporations. Taxpayers looking to compare their current entity to an S corporation will need to include an amount of W-2 wages that would be paid to the owner-employee if the business took that form.	
Internal Revenue Code sections and related regulations: IRC Section 223. Other resources: IRS Form 8889; IRS Publication 969.		- \$2,713
Description	This strategy involves a custodial account set up to save money and pay for or be reimbursed for qualified medical expenses. Taxpayers who are eligible for the plan may contribute a certain amount (determined annually) to the plan each year that they are eligible. Unlike an FSA, the amounts contributed each year do not have to be used in the year that they are contributed. The contributions to the plan may be invested and the earnings qualify for the same tax advantage treatment as the contributions.	
Requirements	* The taxpayer must be enrolled in a High Deductible Health Plan (HDHP). * Must make annual contributions, typically through payroll. * The taxpayer is eligible to make contributions. * Any dependents are eligible.	
36 Code Sections 167. 263 & 469, and regulations thereunder		
Description	The benefits of investing in oil and gas companies are similar to those of investing in real estate, with the added benefit of special accelerated depreciation for well drilling costs. To take advantage of this strategy, taxpayers invest directly in private oil and gas drilling operations as opposed to investing in stocks. This direct involvement means the investor assumes a direct liability for the costs of drilling, exploration and production associated with the oil or gas wells. Generally, the investor will be a general partner in the organization. Because of the direct liability for costs, the investor has what is called a “working interest” in the oil and gas production. This working interest means that the investment is not considered a passive activity and the investor may use losses to offset income. These are qualified business losses that might offset any qualified business income deduction allowed under 199A.	- \$19,000
Requirements	* The taxpayer must be enrolled in a High Deductible Health Plan (HDHP). * Must make annual contributions, typically through payroll. * The taxpayer is eligible to make contributions. * Any dependents are eligible.	
protax.ai Tax Strategy Savings		\$32,127

“I can't say enough about the **exceptional services** provided by Prosperity Tax Advisors. As a business owner in the roofing industry, navigating the complex world of tax planning has always been a challenge for me. However, Mike, Russ and team took the time to understand my unique needs and crafted a comprehensive tax strategy that has saved me significant amounts of money. Their team guided me through every step of the process, ensuring I was in **full compliance** with tax regulations while maximizing my deductions. Thanks to their expertise, I can confidently focus on growing my company, knowing that my tax affairs are in capable hands. I highly recommend Prosperity Tax Advisors to any business owner seeking advanced tax planning solutions.” - **Jeff H.**

